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C O N F I D E N T I A L SECTION 01 OF 02 FREETOWN 000196

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DEPARTMENT FOR AF/W, EEB/TPP/ABT/ATP FOR JSPECK

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TAGS: [EAGR](#) [EAID](#) [ETRD](#) [ECON](#) [PGOV](#) [PREL](#) [SL](#)
SUBJECT: SIERRA LEONE'S LIMITED REACTION TO PRICE INCREASES

REF: A. FREETOWN 44

[1](#)B. FREETOWN 80
[1](#)C. FREETOWN 184
[1](#)D. STATE 39410

Classified By: Ambassador June Carter Perry for reasons 1.4 (b) and (d)

[1](#)1. (C) SUMMARY: Despite soaring prices of commodities, Sierra Leone is stable relative to its sub-regional neighbors. Though frequently reported in the media and discussed on the streets, inflated prices of necessities like flour and rice thus far have been met with public willingness to make ends meet peacefully. The Government of Sierra Leone (GoSL) regularly updates citizens on the global phenomenon surrounding the increases, and while this message has yet to trickle down to those outside major urban centers, it has seemed to temper the potential for public outcry. However, given the positive correlation between prices and anxiety, once the increases are more sharply felt there could be ramifications for peace and security in a nation already struggling with financial hardship. END SUMMARY.

CURRENT PRICES

[1](#)2. (U) The current prices for basic necessities are as follows, using a \$1/Le 2940 exchange rate: 1 gallon of gasoline) \$5.93 (Le 14,500); 50 kg. sack of potatoes - \$32.32 (Le 95,000); 50 kg. sack of domestically-produced rice - \$56.12 (Le 165,000); 50 kg. sack of imported rice - \$40.82 (Le 120,000); 100 lb sack of domestically-produced flour - \$44.22 (Le 130,000); 100 lb sack of imported flour - \$36.05 (Le 106,000). The price of foodstuffs has increased an estimated 30 percent over the past six months, while fuel has increased 5 percent in the same time period. Most Sierra Leoneans live outside the formal economic sector and while the official unemployment rate is currently unavailable, unofficial figures place it between 70 and 80 percent. This only exacerbates the impact of the price increases.

GOVERNMENT RESPONSE

[1](#)3. (U) The GoSL response has been to convene a task force to consider the issue and limited outreach efforts to educate the public on the global nature of the price increases, and to expound the importance of making Sierra Leone self-sufficient in food production. Support from a variety of donors is ultimately expected to revitalize the agricultural sector, although there remains the impediment of bringing goods to market using the country's appalling transportation infrastructure. The GoSL rhetoric is focused on reducing any media and public finger-pointing at the new APC-led

government for the inflation, but recent trips by Embassy staff up-country reveal that little information is being received at the village level. Many of those interviewed in remote areas are only aware of economic strain, but not of the global causes for that strain.

14. (C) Besides these limited efforts, no substantive policy response has been issued by the GoSL. In January and February 2008, the Minister of Trade and Industry reportedly established price ceilings on rice and flour (see reftel A). Embassy officials were later told that the Minister's announcement was misconstrued by the media, and that price ceilings were never officially set. Market manipulation is generally disallowed under the various agreements signed between the GoSL and international financial institutions, such as the International Monetary Fund.

RAMIFICATIONS: ACTUAL AND POTENTIAL

15. (U) Discussions with Embassy locally-engaged staff and other citizens reveal they have grave concerns about their livelihoods, especially given that some are now spending in two weeks what they used to spend in a month on basic necessities. The pinch is particularly felt in the price of rice, fuel, and provisions like baby formula. Rumors of price increases and possible shortages add to the anxiety, especially since the public associates financial hardship with the potential for increased crime and violence. Several Embassy staff noted that they fear desperation will lead to an increase in crime, both petty and violent.

16. (SBU) Beyond impacting the pocketbooks of consumers, the increased costs of goods is affecting local business. As

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noted in reftels B and C, the only flour mill in the country nearly closed in March, partly due to an inability to maintain competitive prices relative to importers because of the high cost of wheat. Sources indicate that imported flour is currently cheaper than domestic because traders are selling off months-old stock. Price parity between domestic and imported flour is expected at Le 130,000 (\$44.22) once the importers replenish their supply, which will more accurately reflect the current global prices of wheat and fuel.

17. (U) The cost of rice is also anticipated to increase in the future. While GoSL statements are usually intended to educate and prevent accusations and tension, the Deputy Minister of Trade and Industry recently stated that rice is expected to cost as much as Le 200,000 per 50 Kg bag (\$68.03) by 2010. Rice is such a staple here that a family of five or six will use up a 50 kg bag in one month.

18. (SBU) The Lebanese community, heavily involved in commerce and trade in Sierra Leone, is often resented by Sierra Leoneans. The two major rice importers are Lebanese and rumors have been circulating that they are manipulating the cost and availability of rice for personal gain. Concepts of the impact of the global market place and the rising food prices are harder to grasp for some, and they thus revert to blaming the usual suspects. Any backlash on the increase in food prices, particularly the staple, rice, may be directed at the Lebanese.

COMMENT: DAMP SPARKS ON A POWDER-KEG

19. (C) Price increases represent a significant challenge for any government, but particularly for a ruling party still adjusting to its new position and responsibilities. The government must continue to maintain public outreach efforts while also stemming potential panic and managing expectations

about the future. Though the situation is stable for the moment, continued and rumored increases could be a catalyst for violence and crime in a country where many already struggle to survive on less than a dollar a day, face a 60-80 percent unemployment rate and support large extended families. There are currently no absolute signs that Sierra Leone is on the verge of a perhaps violent crisis, but it is overly optimistic to assume that the potential for unrest as conditions worsen does not exist. USAID, Regional Food for Peace, our implementing partners and other government and international stakeholders are working together to research the situation and will be making recommendations on how to address the situation as it unfolds. Post will continue to monitor and report, per reftel D. END COMMENT.

PERRY